

1997 RETAIL ACCRUAL ADMINISTRATION

RETAIL ACCRUAL STATEMENT EXPLANATION

MONTHLY 1997 TOTALS

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| <u>BASE \$</u> | - MONTHLY BASE ACCRUAL DOLLARS. DOLLARS ARE POSTED TO THE STATEMENT WHEN ACCRUED; FUTURE DOLLAR ACCRUALS ARE PROJECTED. PRIMARY USAGE OF BASE DOLLARS IS FULL PRICE DISCOUNTING STRATEGY. |
| <u>RATD \$</u> | - MERCHANDISING RDA'S CONVERTED TO RETAIL ACCRUAL BASE DOLLARS |
| <u>TRANSFER</u> | - AN ENTRY WILL SHOW UP HERE WHEN A CONSCIOUS DECISION IS MADE TO CONVERT MATCH DOLLARS TO BASE DOLLARS OR (BY EXCEPTION) BASE DOLLARS TO MATCH DOLLARS. A NEGATIVE ENTRY WILL INDICATE A REDUCTION IN BASE WITH AN OPPOSITE ENTRY ADDING TO MATCH. A POSITIVE ENTRY WILL INDICATE MATCH DOLLARS TRANSFERRED FROM/TO BASE DOLLARS. THIS ALLOWS MATCH DOLLARS TO BE UTILIZED FOR DISCOUNTING PRIOR TO THE GAP BUDGET WHERE IT DOES NOT MAKE SENSE TO IMPLEMENT PROMOTIONS OTHER THAN DISCOUNTING. |
| <u>TOTAL BASE ACCRUALS</u> | - TOTAL DOLLARS AVAILABLE FOR DISCOUNTING. RECAPS THE MONTHLY CONTRACTED ACCRUALS BASED ON INDEPENDENT STORE OR CHAIN STORES ACTIVE DURING A GIVEN MONTH. THESE FIRST FOUR LINES WILL NOT CHANGE OTHER THAN BY CONTRACT RATE CHANGE, # OF STORES CONTRACTED MONTH-TO-MONTH, OR WHEN DOLLARS ARE TRANSFERRED IN OR OUT. |
| <u>TOTAL FP DISCOUNTING</u> | - INDICATES ACTUAL FULL PRICE DISCOUNT SPENDING AT RETAIL FOLLOWING OUR <u>DISCOUNTING STRATEGIES</u> . |

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RETAIL ACCRUAL STATEMENT EXPLANATION

MONTHLY 1997 TOTALS (CONT.)

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| <u>RJR MATCH \$</u> | - MONTHLY RJR MATCH DOLLAR CONTRIBUTION. PRIMARY USAGE IS FOR ADDRESSING ACCOUNT OBJECTIVES. |
| <u>TRANSFER</u> | - AS IN BASE, AN ENTRY WILL SHOW UP HERE WHEN DOLLARS ARE TRANSFERRED FROM BASE OR TO BASE. |
| <u>TOTAL RJR MATCH ACCRUALS</u> | - INDICATES THE NET MATCH DOLLAR AVAILABILITY (+/- TRANSFERS) FOR SPENDING ON ADDRESSING ACCOUNT OBJECTIVES. |
| <u>RJR MATCH SPENT</u> | - CAPTURES ALL REQUESTED RJR MATCH DOLLAR SPENDING. NORMALLY WILL BE COUPLED WITH AN IDENTICAL ENTRY FOR RETAILER MATCH SPENDING, BUT CAN STAND ALONE. SEPARATE DISPLAY CODES HAVE BEEN SET UP FOR RECORDING RJR MATCH DOLLAR PAYMENTS. |
| <u>RETAILER MATCH \$</u> | - MONTHLY RETAILER LIABILITY FOR MATCH DOLLAR AGREEMENT. |

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REPORTING OF SPENDING AND ACTIVITIES (CONT.)

RETAILER MATCH DOLLARS

TO ASSIST IN IMPLEMENTATION OF MATCH DOLLAR PROGRAMS A SEPARATE DISPLAY CODE HAS BEEN ESTABLISHED TO RECORD RETAILER MATCH.

HH CODE: RAC RETAILR MTCH

- RETAILER MATCH SPENDING SHOULD BE REPORTED DURING THE APPROPRIATE TIME PERIOD.
- RETAILER MATCH SPENDING SHOULD EQUAL THE TOTAL AVAILABLE RETAILER MATCH DOLLARS BY YEAR-END. (ZERO BALANCE)
- SPENDING THAT SHOULD BE CAPTURED INCLUDES ALL "VALUE" THE RETAILER AND RJR HAVE AGREED TO IN IMPLEMENTING MATCH DOLLAR PROGRAMS.
EXAMPLES:
 - DISCOUNTING/MARGIN CONTRIBUTIONS BY RETAILER
 - DIRECT MARKETING EXPENSES
 - SIGNAGE "VALUE", I.E., DEALER-OWNED BILLBOARD
 - FLYER AD SPACE, ETC.

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